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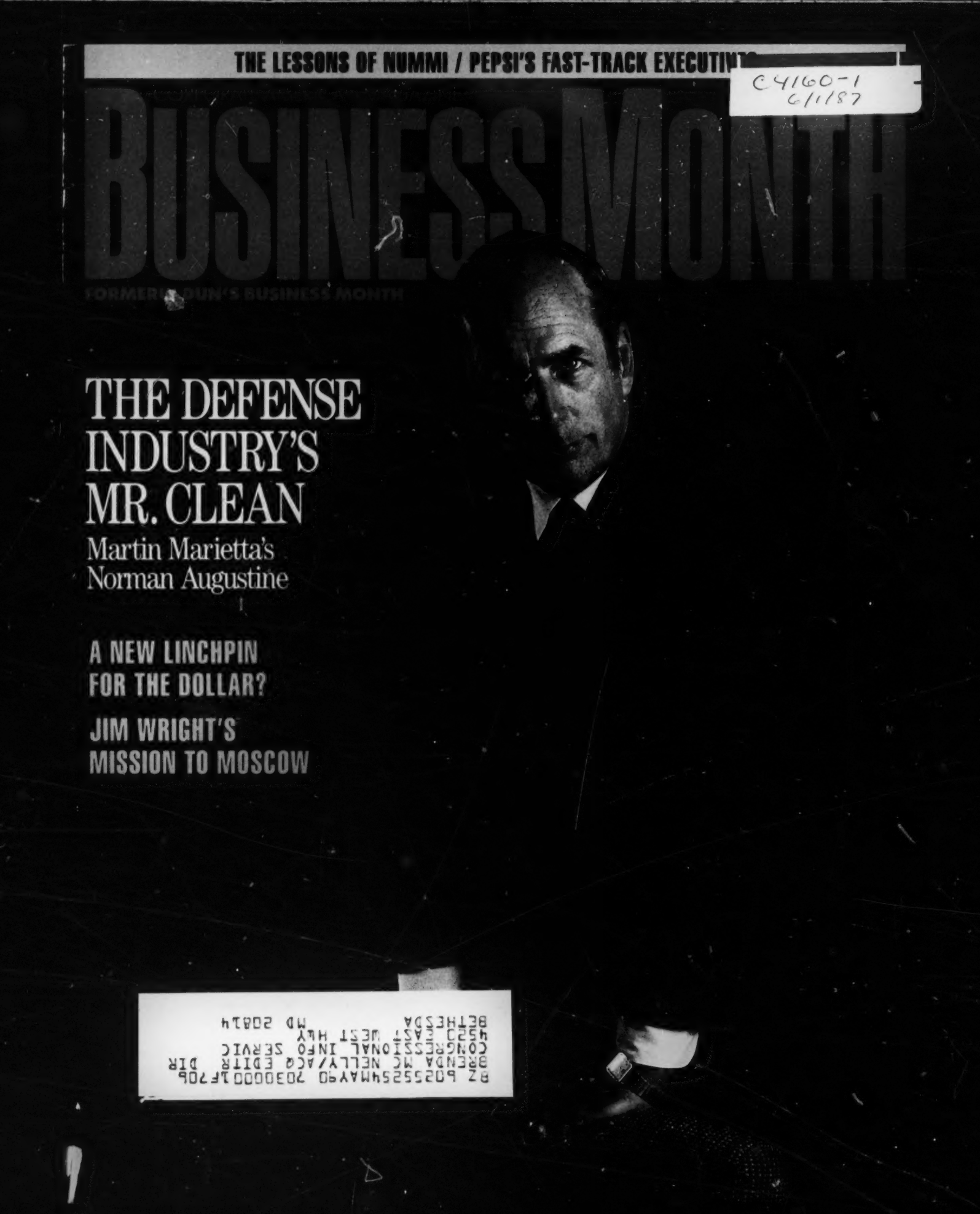

THE DEFENSE INDUSTRY'S MR. CLEAN

Martin Marietta's Norman Augustine

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JIM WRIGHT'S MISSION TO MOSCOW

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COVER PHOTOGRAPH BY BRITAIN HILL

forward averaging instead of rolling over the $165,040 he had coming to him into an IRA, because he didn't want the money locked up until he was 59½. The IRS whacked him for an extra $16,504.

☐ Choosing between ten-year and five-year averaging. If you must get your hands on the money, ten-year averaging might be the best choice. But have your accountant do the arithmetic to find out.

Under the new tax law, if you were fifty or older on January 1, 1986 you can still use ten-year averaging. You are taxed at your 1986 tax rate, but that isn't so bad because it is assumed that you received the money in ten annual installments and had no other income. Otherwise, you can choose five-year averaging, which pushes you into a higher bracket but at this year's lower rates. You can see why, even under tax reform, it takes a computer to ferret out the best deal.

☐ Miscalculating the sixty-day rollover period for IRAs. Don't fall into the same trap a recently retired oil executive did who took lump sums from both his profit-sharing and pension plans and decided to roll them over. The company paid the first sum last October and the second in November. The executive knew the rollover had to be completed within sixty days, but he thought he could start counting in November.

He was wrong. The IRS insisted that each distribution was a separate transaction. Upshot: The October payment of $150,000 was taxable as ordinary income—at the about-to-expire 50% maximum rate. That one cost the executive $75,000.

☐ Inadequate retirement health coverage. Medicare will pick up only a fraction of your bills. See what kind of coverage your company provides retirees and their spouses. If it doesn't fill the gap that Medicare leaves, purchase a supplementary policy. But do it before you retire, because many insurance companies give a better break on the premium if you are employed. You can slash your premium by 50% if you avoid first-dollar coverage and take a big deductible, advises Steven B. Enright, director of financial planning for Seidman Financial Services.

☐ Pension pay-out options. If you are married, be careful how you choose your pension option to give your spouse a survivor benefit.

If your spouse is ten or fifteen years younger than you, advises financial planner Harold Chadwick, opt for a straight life annuity rather than the more common joint-and-survivor type. Because of the age gap, your pension will be sharply reduced to provide for your spouse in case you die. If you are an executive with a six-figure salary and have a wife who is thirteen years your junior, a joint-and-survivor annuity could cut your pension as much as $40,000.

To assure your wife's financial future, Chadwick advises, take out extra life insurance on yourself, payable to her. The premium should be no more than half of the decrease in your pension. But remember, this strategy is cost-effective only when your wife is at least five years younger than you are. Otherwise, stick with the joint-and-survivor annuity.

☐ Retiring too early. Starting next year, the law says your company must give you pension credits for the years between age 65 and 70 if you decide to stay on. While retirement may be more attractive, you should be aware that your pension could double if you continue to work for those five years. A few extra years could radically raise your retirement standard of living. "Whatever the ingredients of your retirement package," sums up Norman Clausen, a partner at consultants Kwasha Lipton, "your pension is still the most important."

The multitude of decisions that you must make is annoying, but this is no time to be careless. The package you take into retirement will affect your living standard for the rest of your life, warns William J. Goldberg, national director of financial planning for KPMG Peat Marwick, "and there is really no way to recover from mistakes."

—JOHN C. PERHAM

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(4/31/87) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$28.93/share	$ 9,897	$12,593
per cent change		-1.0%	+25.9%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$128.31	$ 9,625	$ 9,311
ACCUMULATED INCOME		$ 73	$ 853
TOTAL		$ 9,698	$10,164
per cent change		-3.0%	+1.6%
Money Market Fund	5.49%	$10,045	$10,573
per cent change		+.5%	+5.7%
Gold (Krugerrands)	$461/oz.	$10,847	$13,716
per cent change		+8.5%	+37.2%
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	$115,900	$118,400	$104,200
per cent change		-2.1%	+11.2%
New House	$134,200	$130,200	$114,200
per cent change		+3.1%	+17.5%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Manfra, Tordella & Brookes, Inc.; Federal Home Loan Bank Board.